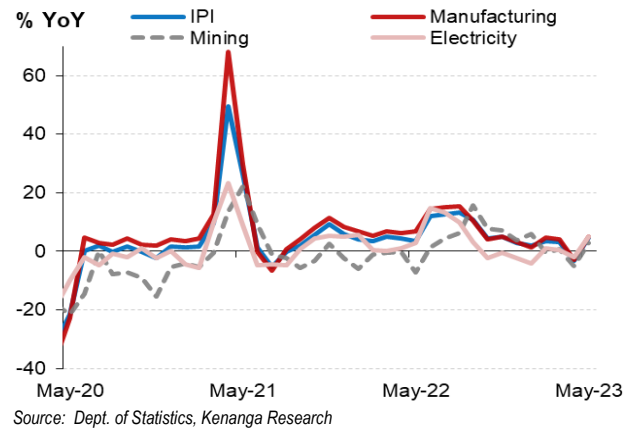


Malaysia Industrial Production

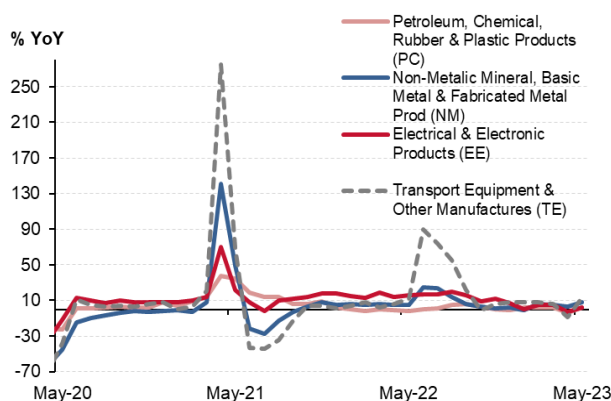
Surprisingly strong rebound in May amid a broad-based recovery in all major indices

- Industrial Production Index (IPI) growth rebounded significantly in May (4.7% YoY; Apr: -3.3%) beating house and market expectations (KIBB: 1.8%; Consensus: 0.0%)**
 - The positive turnaround was attributable to a broad-based recovery in all three indices, led by the manufacturing index, which reached its highest level in eight months.
 - MoM (7.3%; Apr: -10.8%): rebounded to a two-month high following April's surprisingly deep downturn.
- Manufacturing index returned to growth (5.1% YoY; Apr: -3.0%), steered by a much softer contraction in exports (-0.7%; Apr: 17.6%) and in line with an expansion in manufacturing sales (3.3%; Apr: -2.0%)**
 - The recovery was attributable to a broad-based expansion in all segments, led by food, beverages & tobacco (11.6%; Apr: -4.8%), an 18-month high, followed by electrical and electronic products (2.5%; Apr: -2.3%), and petroleum, chemical, rubber & plastic products (2.3%; Apr: -3.3%).
 - MoM (7.0%; Apr: -11.4%): returned to growth following April's sharp contraction, driven by a solid recovery in both export-oriented industries (7.8%; Apr: -13.4%) and domestic-oriented industries (5.4%; Apr: -7.1%).
- Mining index returned to growth in May (2.9% YoY; Apr: -4.9%), reaching its highest level in four months**
 - The renewed upturn was driven by a recovery in all subsectors, led by an expansion in extraction of crude oil & natural gas (2.9%; Apr: -4.9%), a four-month high, followed by natural gas production (4.5%; Apr: -7.8%), and crude petroleum output (0.6%; Apr: -0.9%).
 - MoM (7.6%; Apr: -10.7%): a strong positive turnaround despite lower global crude oil prices in May.
- Electricity index rebounded in May (5.0% YoY; Apr: -2.0%) to a nine-month high**
 - MoM (10.1%; Apr: -4.8%): a strong recovery following April's seasonally expected contraction.
- 2023 manufacturing index growth forecast retained at 2.4% (2022: 8.2%)**
 - We maintain our manufacturing output forecast, having already accounted for a potential recovery in May and June following the considerably lower-than-expected print in April. The manufacturing index may continue to prove volatile given that Malaysia's PMI remained contractionary in June (47.7; May: 47.8) and external demand will likely be hampered by a global economic slowdown, especially amid China's stuttering recovery. However, manufacturing output may still improve in 2H23, supported by strong domestic demand and as China is potentially buoyed by new stimulus measures.
 - Our 2023 GDP growth forecast remains unchanged at 4.7% (2022: 8.7%), as we expect domestic demand to offset any slowdown in exports due to a recession in the US and a slow recovery in China.

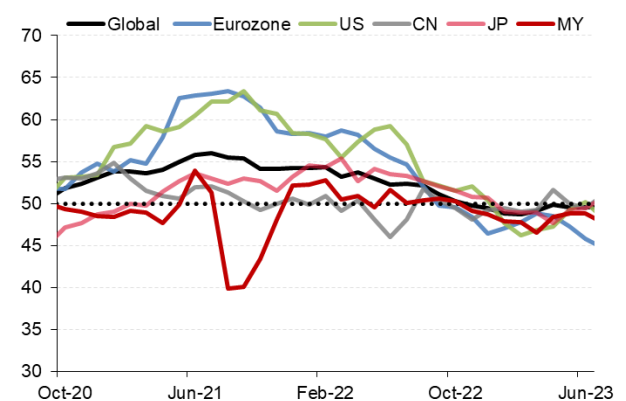
Graph 1: Industrial Production Growth Trend



Graph 2: Manufacturing Growth Trend by Sub-Sector



Graph 3: Global Manufacturing PMI Trend



13 July 2023

Table 1: Malaysia Industrial Production Trend (2015=100)

	Weight		2020	2021	2022	May-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
IPI	100.0	% YoY	-4.1	7.2	6.7	3.6	4.9	2.8	1.8	3.5	3.2	-3.3	4.7
		% YoY SA	-4.5	7.5	6.9	4.5	4.7	2.8	1.8	3.3	3.1	-3.3	5.0
		% MoM				-0.9	0.9	-0.6	-2.3	-5.2	8.4	-10.8	7.3
		3mma				4.3	6.6	4.0	3.2	2.7	2.8	1.1	1.5
Manufacturing	65.9	% YoY	-2.7	9.5	8.2	6.9	4.8	3.0	1.3	4.8	4.1	-3.0	5.1
		% MoM				-1.3	0.7	-1.2	-3.3	-4.0	7.8	-11.4	7.0
		3mma				6.7	6.4	4.0	3.1	3.0	3.4	2.0	2.1
Mining	28.9	% YoY	-8.9	0.9	2.2	-7.4	7.0	3.9	5.9	-0.5	0.8	-4.9	2.9
		% MoM				-0.6	3.5	1.1	1.7	-9.6	8.5	-10.7	7.6
Electricity	5.2	% YoY	-3.7	2.4	3.6	3.0	-0.5	-2.2	-4.3	1.1	0.4	-2.0	5.0
		% MoM				2.7	-3.4	0.9	-3.4	-5.5	15.1	-4.8	10.1

Source: Dept. of Statistics, Kenanga Research, 3mma = 3-month moving average (YoY growth)

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